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SUBJECT: UPDATE ON TURKISH LIMITS ON CHINESE TEXTILE
AND APPAREL IMPORTS

Ref: (A) Ankara 129 (B) Beijing 2518

11. (SBU) Shortly after imposing surveillance and protective measures against 42 categories of Chinese textile and apparel imports in connection with section 242 of the Working Party report, GOT and Chinese officials held consultations in Ankara in late January. Both the Chinese Ambassador to Turkey and FM Gul, who visited China in early February, told the press that the GOC hoped to avoid bilateral friction through dialogue. Murat Yapici, the Foreign Trade Undersecretariat's (FTU) Deputy Director General for Imports, told us February 11 that the Chinese delegation objected strenuously to Turkey's action, but that the Turkish side had no intention of backing away from these measures. However, Yapici disclosed that a number of Turkish importers with large Chinese procurement contracts were protesting FTU's action.

12. (SBU) Yapici stressed that these measures were very different from the standard safeguard mechanism. Section 242 measures not only allow the Chinese to maintain market share, but also to increase their exports within prescribed limits. Yapici said the GOC was concerned that: 1) other countries may follow Turkey's example in taking 242 measures; and 2) section 242 may be interpreted in such a way as to reestablish a quota system against Chinese goods.

13. (SBU) Econoff asked Yapici and, separately, Cemalettin Damlaci, FTU's Director General for the EU, whether Turkey had consulted with Brussels on section 242 measures against China. Yapici told us that the EU did not have any reaction to the measures. Damlaci responded that the customs union required Turkey to coordinate many external commercial policies, particularly third country quota and trade preferences, but not anti-dumping and related measures. In fact, the EU and Turkey have imposed these measures against one another. In a separate meeting with Econ Counselor and Econoff on February 11, Tervik Mengu, FTU Director General for Agreements, commented that the 242 measures could create problems within the customs union with the strong possibility of Chinese textile transshipments to Turkey via EU countries. Conversely, Ulrike Hauer, the Head of the Trade, Economy and Agriculture Section at the EC Delegation, told Econ Couns and Econoff in early February that it was "odd" within the customs union framework that the Turks had taken action against China without consulting with Brussels, but that the EC did not plan to raise this issue with the GOT at present.

14. (U) As in previous meetings on this subject, FTU told us it was monitoring U.S. textile trade actions against China closely, and asked Econoff to continue to provide updates. In particular, Yapici asked for further information on the legislative prospects on the draft Fair Wage, Competition, and Investment Act of 2005 (Senate Bill 14), which aims to impose an additional duty on all imports from China unless the GOC revalues its currency.

Edelman